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Statement for the Record
U.S. House Ways and Means Committee
“How the Tax Code’s Burdens on Individuals and Families
Demonstrate the Need for Comprehensive Tax Reform”
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Chairman Camp, Ranking Democratic Member Levin and Members of the Committee, I appreciate the opportunity to share my concerns about the death tax.

In 1936 at the height of the Great Depression, my grandfather, Melford M. Nelson, founded M.M. Nelson Oil Co., now known as Marc Nelson Oil Products.

As the first commissioned fuel and lubricants distributor in Oregon, Melford plunged his life and savings into the then one-man operation. Today the company, now headquartered in Salem, employs more than 30 people and serves customers throughout Oregon and Southwest Washington.

Most of our company's growth occurred after my father joined the business in 1962. My father and grandfather worked side by side, building the business the old-fashioned way: living frugally, saving money, investing profits back into the business and focusing on the needs of Oregon residents.

Instead of living the high life, they sacrificed. As it turns out, the very same hard work that made Marc Nelson Oil Products successful now places the business's future at the mercy of the Internal Revenue Service.

When my father, now in his seventies, dies the IRS will "reward" his hard work by taking 35 percent of all his personal and business assets above \$5 million. The valuation of his assets will include our company's inventory, machinery, property, and vehicles. Since the company alone is easily valued in excess of \$10 million, the estate tax liability likely will come close to \$2 million.

Like many family-owned companies in Oregon and elsewhere, Marc Nelson Oil Products is not awash in cash. In fact, we are rather cash-strapped. Coming up with an extra \$1 or \$2 million for the government - to pay a tax for the privilege of existing - won't be easy.

In fact, it might be impossible. That's why we are being forced to spend hundreds of thousands of dollars on tax planning in the hope that we can keep the business alive after my dad passes.

That's hundreds of thousands of dollars we're no longer able to reinvest in the company, to grow it and create new jobs, which is what we would rather do with the money.

If the tax planning is successful, Nelson Oil Products will stay in our family - although it will be weakened, and probably smaller, than it could have been without the estate tax. If planning is not successful, assets will have to be sold and employees laid off. Worst-case scenario: We will be forced to sell the company, jeopardizing the livelihoods of all of our employees.

As it turns out, we're not alone. Some 24 million Americans own family businesses and farms. Like us, many of these families each year spend valuable capital paying estate

taxes or paying accountants and lawyers to find ways to minimize the tax. This is money that could be better spent growing the company and creating jobs.

There is a very simple solution that would cost the government nothing and, in fact, enrich both government coffers and individual pocketbooks: repeal the estate tax.

In a report for the American Family Business Foundation, the former director of the Congressional Budget Office, Douglas Holtz-Eakin, calculated that eliminating the death tax could create as many as 1.5 million jobs - at no cost to the government. That's because the tax raises less money each year than the government loses because the tax slows business growth.

Roughly 20,000 of the 1.5 million jobs would be here in Oregon, according to the Cascade Policy Institute.

The harmful estate tax historically brings in less than 1 percent of total federal revenue. Without the tax, small businesses would grow, and federal, state and local governments would receive more revenue, rather than less. In fact, economist Stephen Entin, a former Treasury official, estimates that repealing the estate tax would increase federal tax revenues by roughly \$89 billion over the next ten years.

The Ways and Means Committee has an opportunity to reduce the burden of the tax code on family businesses by supporting legislation to permanently repeal the estate tax. On behalf of my small business, thousands like it, and the jobs we represent, I respectfully ask that you support permanent death tax repeal. Thank you for your consideration.